

HONORABLE JAMES L. ROBERT

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION,

Plaintiff,

v.

MOTOROLA INC., et al.,

Defendant.

MOTOROLA MOBILITY, LLC., et al.,

Plaintiffs,

v.

MICROSOFT CORPORATION,

Defendant.

No. C10-1823-JLR

REDACTED

MICROSOFT'S REPLY IN SUPPORT
OF ITS MOTION FOR PARTIAL
SUMMARY JUDGMENT OF BREACH
OF CONTRACT AND SUMMARY
JUDGMENT ON MOTOROLA'S
THIRD, FOURTH, FIFTH, SEVENTH,
EIGHTH, AND NINTH AFFIRMATIVE
DEFENSES AND SECOND
COUNTERCLAIM

Noted: July 31, 2013 at 10:00 AM

ORAL ARGUMENT REQUESTED

MICROSOFT'S REPLY IN SUPPORT OF ITS
MOTION FOR PARTIAL SUMMARY
JUDGMENT OF BREACH OF CONTRACT

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INTRODUCTION

Motorola's opposition rests on three flawed themes upon which Motorola seeks to avoid liability. *First*, Motorola erroneously insists any evaluation of its breach of the duty of good faith and fair dealing requires that the jury find subjective bad faith. That is a misstatement of the law.

Second, Motorola views the November RAND royalty trial and the Court's resulting RAND royalty rulings as pointless. In its Findings, the Court observed that "the RAND royalty rate is a heavily-disputed, fact-sensitive issue that must be resolved by a finder of fact," and explained why it had conducted the November trial: "To decide whether Motorola's opening offers were in good faith, a fact-finder must be able to compare them with a reasonable RAND royalty rate." (Dkt. No. 673 ("FFCL") at 5.) The Court was clear: "The purpose of this"—the RAND royalty trial and Findings—"is to enable a fact-finder in a later trial to determine whether Motorola's offer letters breached Motorola's RAND obligation to offer a license for its patents in good faith." *Id.* 5–6. But Motorola's brief never mentions the disparity between its demands and the Court's RAND determination, instead insisting that because the Court has said opening offers do not have to be RAND, opening offers are irrelevant. Motorola's brief pretends the Court has not already explicitly ruled that a blatantly unreasonable opening offer breaches the RAND licensing contract. Motorola cannot avoid summary judgment premised on the RAND royalty trial having been a meaningless exercise.¹

Third, Motorola persists in arguing that Microsoft did something wrong by filing this suit—that Microsoft should have negotiated and made a counteroffer, that Microsoft cut short RAND licensing negotiations, etc. But the Court already resolved that issue in Microsoft's

¹ Motorola's disregard for the Court's RAND royalty determination is on full display in Germany, where instead of simply accepting the Court's RAND royalty findings and the payments Microsoft tendered as a result, Motorola has now moved for an accounting of past damages for two H.264 patents subject to the Court-determined worldwide RAND royalty. *See* Declaration of Christopher Wion in Support of Microsoft's Reply in Support of Its Motion Summary Judgment ("Wion Decl.") Exs. 1–2 (Motorola letter and translation); Dkt. No. 656 Ex. 1 at 5.

1 favor. Yet Motorola now attempts to dress the same facts that supported its repudiation theory
 2 in different garb, calling it ripeness, unclean hands, failure to mitigate, or a failure to
 3 “cooperate” under the duty of good faith and fair dealing. Arguing to the jury that Microsoft is
 4 the real bad actor is central to Motorola’s plan, and forms the core of Motorola’s rebuttal to
 5 Microsoft’s showings that Motorola’s demands were blatantly unreasonable. The Court’s prior
 6 rulings foreclose Motorola’s arguments.

7 In the end, Motorola’s opposition fails to identify any material factual dispute on the
 8 issues presented by Microsoft’s motion. In light of the RAND royalty determination, no
 9 reasonable jury could find that Motorola’s October 2010 demands were anything but blatantly
 10 and commercially unreasonable. Likewise, the undisputed facts confirm that Motorola’s
 11 conduct in following those demands with lawsuits pursuing injunctions was hold up in
 12 frustration of the purpose of its RAND licensing commitments. Motorola’s affirmative
 13 defenses—even in their newly-minted phrasing—cannot be sustained given the Court’s prior
 14 rulings. Microsoft’s motion for partial summary judgment should be granted.

15 ARGUMENT

16 **I. MOTOROLA BREACHED THE DUTY OF GOOD FAITH AND FAIR** 17 **DEALING.**

18 **A. A Showing Of Subjective Bad Faith Is Not Required.**

19 Motorola rests its opposition on cases in which a party’s subjective lack of good faith
 20 established a breach of the duty of good faith and fair dealing. (Dkt. No. 752, Defs.’ Resp. to
 21 Microsoft’s Mot. for Partial Summary J. (“Opp.”) 11.) But Motorola provides no authority for
 22 its position that breach of the duty *requires* proof of Motorola’s subjective bad faith, Opp. 14–
 23 15, and that position is contrary to the Restatement and the extensive discussion of the
 24 Washington law of the duty in *Scribner v. Worldcom, Inc.*, 249 F.3d 902 (9th Cir. 2001). The
 25 Ninth Circuit has explained that showing that a defendant “acted with affirmative malice” is
 26 not required to establish a breach of the duty of good faith. *Scribner*, 249 F.3d at 909.

1 Motorola also claims the jury should “consider whether Motorola knew or had reason to know
 2 in October 2010” that its prior licenses did not support its demands of Microsoft, or that those
 3 demands raised severe stacking concerns, Opp. 16, but the Ninth Circuit has explained that
 4 showing that a defendant “knew its decisions were inappropriate when it made them” is *also*
 5 not required to establish a breach. *Scribner*, 249 F.3d at 909. See Restatement (Second) of
 6 Contracts § 205 cmt. d (“Subterfuges and evasions violate the obligation of good faith in
 7 performance even though the actor believes his conduct to be justified” and “fair dealing may
 8 require more than honesty.”).

9 Motorola repeatedly claims that the objective-test cases Microsoft relies on are
 10 distinguishable because “Microsoft has the greater bargaining power.” Opp. 12–13. Whatever
 11 this means, there is no legal authority for it. Microsoft’s size or bargaining power have nothing
 12 to do with Motorola’s obligations under its RAND licensing commitments. As the Court
 13 already recognized, in the context of SEPs, the patent holder (Motorola) has significant
 14 leverage in a “negotiation,” because the implementer (Microsoft) cannot feasibly switch from
 15 compliance with the standard. See FFCL ¶¶ 52, 55. Offsetting the otherwise-unchecked
 16 bargaining power of the patent holder is the purpose of the RAND licensing commitment.

17 Motorola’s attempt to distinguish *Scribner* and *Craig v. Pillsbury Non-Qualified*
 18 *Pension Plan*, 458 F.3d 748 (8th Cir. 2006) by suggesting they only apply to an abuse of
 19 discretion to set a “final contract term,” see Opp. 12–13, fails, because nothing in those cases
 20 suggests that the requirement that discretion under a contract “be exercised in good faith” is
 21 limited to “final” contract terms. See *Scribner*, 249 F.3d at 909–11; *Craig*, 458 F.3d at 752–
 22 54. If Motorola were correct, discretion granted under a contract can be freely abused, so long
 23 as it does not involve setting “final” terms. Motorola cites no authority for such a position.

24 Even if it were necessary to consider Motorola’s subjective lack of good faith,
 25 Motorola fails to raise any material dispute of fact. Motorola says only that it “sent the
 26

1 October letters with the intent of beginning the process of negotiating a patent cross-license
 2 agreement.” Opp. 14. Even though that assertion is legally irrelevant, Motorola’s privilege
 3 claims should bar it from arguing its subjective good faith. Self-serving statements advanced
 4 by Dailey in his declaration should not be accepted when Microsoft was blocked by Motorola’s
 5 privilege objections from testing those assertions. *See* Dkt. No 729, Microsoft’s Mot. for
 6 Partial Summary J. (“Br.”) at 3 n. 1; Dkt. No. 728 Ex. 4 (Pretrial Conf. Tr.) 22:10–12.

7 Motorola’s argument that the jury should “consider whether Motorola knew or had
 8 reason to know” that its existing license agreements did not support its demands, Opp. 16, do
 9 not prevent summary judgment. Even if this were an appropriate inquiry, Motorola *cites no*
 10 *evidence of what the jury would consider*, and fails to respond to the evidence Microsoft cited,
 11 which suggests Motorola *did* know or have reason to know its demands of Microsoft were
 12 unsupported. *See* Br. 13, 14 (quoting Motorola’s expert’s opinion that “Motorola had no past
 13 experience on which it could draw when it attempted to negotiate a RAND license with
 14 Microsoft”); *id.* at 15–17. Motorola’s other vague appeals to “context and circumstances” are
 15 similarly unsupported by any citations to evidence. Opp. 9, 14, 16.

16 **B. There Is No Genuine Dispute As To Whether Motorola’s Demands Were**
 17 **Blatantly Or Commercially Unreasonable.**

18 Motorola fails to identify any objective evidence that would suggest its demands were
 19 anything but blatantly and commercially unreasonable. First, the cases Motorola cites do not
 20 hold that a blatantly or commercially unreasonable offer satisfies the duty of good faith and
 21 fair dealing. *See* Opp. 9–10. Only one of those cases, *Realtek*, involves a RAND licensing
 22 commitment—and Motorola’s quotations obscure the context of the court’s statements. The
 23 court denied an SEP holder’s motion to dismiss a RAND licensing breach of contract claim,
 24 where the SEP holder argued “that a royalty exceeding the selling price of an infringing
 25 product is not inherently unreasonable.” *Realtek Semiconductor Corp. v. LSI Corp.*, No. C-12-
 26 03451 RMW, 2012 WL 4845628, at *5 (N.D. Cal. Oct. 12, 2012). The court refused to ignore

1 that discrepancy, and stated “the court sees no reason the royalty rate as compared to selling
2 price cannot be one relevant factor” in determining whether the royalty demanded was
3 unreasonable. *Id.*

4 Second, this Court has already held that Motorola’s breach of the duty of good faith and
5 fair dealing *can* be evaluated by comparing its demands to a true RAND royalty—and that
6 holding was the purpose of the November RAND royalty trial. Motorola does not respond to
7 Microsoft’s arguments that the result of that comparison compels summary judgment on
8 breach in Microsoft’s favor, *see* Br. 12–13, or to Microsoft’s arguments that additional
9 objective evidence, including the marginal relevance of Motorola’s contributions to the
10 standards, reinforces that result, Br. 15.

11 Instead, Motorola opposes summary judgment with the erroneous claim that Microsoft
12 “ignores” consideration of industry practice or custom. Opp. 13. Motorola’s argument
13 consists only of a discussion of reciprocity and patent licensing negotiations in general,
14 coupled with a claim that its offers were “mere opening offers” as part of a negotiation it
15 expected would ensue. *Id.* at 15. This argument is beside the point: The Court already held
16 that Motorola could not—without committing a breach of contract—make blatantly
17 unreasonable opening offers. If Motorola wanted to argue that blatantly unreasonable opening
18 offers were acceptable because that is industry practice, it should have done so last year,
19 instead of conceding that such offers breach the RAND licensing commitment. (Dkt. No. 188
20 at 15.)

21 And contrary to Motorola’s claim, Microsoft established that Motorola’s demands were
22 commercially unreasonable based on pool rates (Br. 15), licensing practices in the
23 semiconductor industry (*id.* at 16), and the InteCap study (*id.*). Motorola’s brief contains no
24 response to these, nor any response to Microsoft’s citation of *Motorola’s own practices*:

25 [REDACTED]

1 [REDACTED] (*id.* at 13), and [REDACTED]
 2 [REDACTED] (*id.* at 16).² Motorola ignores all of this evidence, and the facts it points to do not suggest
 3 that its demands were anything but blatantly and commercially unreasonable.

4 **C. There Is No Genuine Dispute That Motorola's Conduct Frustrated The**
 5 **Purpose Of Its RAND Licensing Commitments.**

6 At the November RAND royalty trial, Motorola's counsel had the following exchange
 7 with Motorola's expert, Richard Schmalensee:

8 Q: What is the relationship between the RAND commitment and the potential
 9 for hold-up?

10 A: Well, in short form, the RAND commitment and the whole apparatus exists
 11 to deal with hold-up.

12 Wion Decl. Ex. 3, 11/19/12 Trial Tr. 142:13–16. The Court quoted that testimony in its
 13 Findings, and Microsoft cited those findings as evidence that one of the purposes of Motorola's
 14 RAND licensing commitments is to prevent hold up. *See* Br. 5. The Court found that
 15 preventing royalty stacking is another such purpose, Br. 5, citing Motorola's own statements
 16 that stacking was a problem. *See* FFCL ¶¶ 66–69. Forgetting the testimony of its since-
 17 discarded expert and its own prior statements (and ignoring the Court's Findings), Motorola
 18 now argues, "Microsoft does not cite any evidence that the purpose of Motorola's RAND
 19 commitments is to prevent hold up and to avoid royalty stacking issues." Opp. 16. That claim
 20 is baseless.

21 Motorola then latches on to another purpose of the RAND licensing commitment—
 22 encouraging widespread adoption of the standard, Opp. 16—but ignores that the prevention of
 23 hold up and stacking flows from that purpose, as the Court explained in its Findings. *See*
 24 FFCL ¶¶ 51–59 (explaining that hold up "jeopardizes further adoption of the standard"), ¶¶ 64–
 25 66 (explaining how cumulative royalty payments "can undermine the standards"). Moreover,

26 ² Microsoft is filing its Reply under seal because it refers to materials that Motorola identified as confidential under the parties' protective order and that were the subject of Microsoft's July 3, 2013 Motion to Seal (Dkt. No. 718). A redacted version of Microsoft's reply will be filed concurrently.

1 Motorola offers no explanation of how excessive licensing demands backed by the pursuit of
 2 injunctions logically would do anything but frustrate widespread adoption of the standard.³

3 Motorola fails to demonstrate any dispute of material fact concerning Motorola's
 4 frustration of the purposes of the RAND licensing commitment. Motorola protests that it did
 5 not know what royalties Microsoft was paying to other SEP holders, Opp. 19, but Microsoft's
 6 conduct is not relevant to Motorola's obligations. The relevant inquiry is "the aggregate
 7 royalties that would apply if other SEP holders made royalty demands of the implementer."
 8 FFCL ¶ 72. Motorola's argument amounts to a claim that its conduct should be excused
 9 because it might be the only bad actor. There is no fact issue for the jury to weigh as to
 10 whether Motorola could have estimated the scope of the stacking problem its demands
 11 created—the Court's findings were based on public information, *see* FFCL ¶¶ 157, 335, 456,
 12 459, and Motorola's 30(b)(6) witness admitted [REDACTED] Br. 15.

13 As noted above, no inquiry into Motorola's subjective intent is required—but even if it
 14 were, Motorola does not explain how its excessive demands, coupled with a pursuit of
 15 injunctions, could have been intended for any purpose but to hold up Microsoft. Motorola
 16 indisputably sent the letters and sought injunctions in the lawsuits it filed. For Motorola to
 17 claim this was all "in the process of negotiating," Opp. 17, is only consistent with hold up—a
 18 distorted negotiation in which Microsoft is threatened with exclusion from the standards.
 19 Motorola's arguments concerning the timing of its suits, Br. 18, further confirm Microsoft's
 20 point: Motorola was "prepared for litigation" on its SEPs prior to sending the letters because it
 21 planned to use the threat of injunctions on its SEPs to obtain leverage in the parties' other
 22 disputes—that is, to hold up Microsoft. Motorola fails to respond to the evidence that it knew
 23 it had to make an "offer" of some type before it embarked on this strategy as shown by [REDACTED]

24
 25 ³ The Court's prior ruling concerning initial offers (*see* Dkt. No. 335 at 24–25) did not address whether hold
 26 up—here, a practice of excessive initial offers followed by pursuit of injunctions—would frustrate this, or any
 other purpose of the RAND licensing commitment.

1 [REDACTED] See Br. 19. Motorola also fails to
 2 respond to Microsoft's argument that Motorola's conduct constitutes hold up under the Court's
 3 Findings and the definitions of Motorola's expert, Gregory Leonard. See Br. 20–21.

4 Finally, contrary to Motorola's claim, there are *no* cases that have “held” that pursuing
 5 injunctions on SEPs is consistent with the duty of good faith and fair dealing. Opp. 18. The
 6 later *Realtek* decision (which Motorola again fails to cite) held that an SEP holder committed a
 7 straightforward breach of its RAND licensing commitments by seeking an exclusion order in
 8 the ITC, and did not address whether that conduct *also* breached the duty of good faith and fair
 9 dealing. See *Realtek Semiconductor Corp. v. LSI Corp.*, No. C–12–03451–RMW, 2013 WL
 10 2181717, at *6 (N.D. Cal. May 20, 2013). Judge Crabb denied Apple's motion in limine
 11 without mentioning the duty of good faith and fair dealing. See *Apple, Inc. v. Motorola*
 12 *Mobility, Inc.*, No. 11-cv-178-BBC, 2012 WL 5416941, at *15 (W.D. Wis. Oct. 29, 2012).
 13 While the ITC rejected Apple's RAND licensing defense against Samsung on numerous
 14 sufficiency of evidence grounds, including that “Apple has not proved a failure by Samsung to
 15 negotiate in good faith” (see Dkt. No. 738 at 59), the decision does *not* address whether
 16 Samsung's pursuit of an exclusion order breached the duty of good faith and fair dealing. (See
 17 *id.* at 59–64.)

18 **II. SUMMARY JUDGMENT SHOULD ALSO BE GRANTED FOR MICROSOFT** 19 **ON MOTOROLA'S AFFIRMATIVE DEFENSES AND COUNTERCLAIM.**

20 As a preliminary matter, Motorola's claim that “Microsoft's motion as to Motorola's
 21 affirmative defenses is procedurally improper,” Opp. 19 n. 11, is baseless. Summary judgment
 22 may be granted as to any “claim or defense.” Fed. R. Civ. P. 56(a). Motorola's reliance in
 23 opposition on a 2007 decision of this Court is misplaced. The split the Court noted in 2007 as
 24 to whether Rule 56 applied to defenses was resolved by a 2010 amendment which added the
 25 word “defense”; the Committee Notes explain the modification was “to make clear . . . that
 26 summary judgment may be requested not only as to an entire case but also as to a claim,

1 defense, or part of a claim or defense.” In any event, the issue raised by each of Motorola’s
 2 remaining affirmative defenses is the same—did Microsoft wrongfully file this suit instead of
 3 negotiating with Motorola? The Court has answered that question multiple times. (See Dkt.
 4 No. 465 at 14, citing Dkt. No. 335 at 21 and Dkt. No. 66 at 5.) Motorola identifies no issues of
 5 fact that would explain how it can maintain these defenses—as it pled them, and as it described
 6 them in its discovery responses—in light of the Court’s rulings.⁴

7 **A. Motorola’s New Affirmative Defenses Should Not Be Permitted.**

8 Motorola opposes summary judgment by claiming that each of these three defenses has
 9 now changed from what Motorola disclosed in discovery. First, as explained further below,
 10 based on Motorola’s new explanations, two of the “new” defenses rest on the same mistaken
 11 theory that Microsoft was not permitted to enforce Motorola’s RAND licensing commitments.
 12 But even if these defenses were distinguishable from that theory, they should be barred by
 13 Motorola’s failure to disclose them, which is neither substantially justified nor harmless. See
 14 Fed. R. Civ. P. 26(e)(1)(A), 37(c)(1); *Yeti by Molly, Ltd. v. Deckers Outdoor Corp.*, 259 F.3d
 15 1101, 1105–07 (9th Cir. 2001).⁵ Microsoft did not allege prejudice in its opening brief (see
 16 Opp. 24) because Motorola had not yet revealed its new affirmative defenses, and Microsoft
 17 would clearly be prejudiced were they permitted. Both expert and fact discovery have long
 18 since closed, and only six and a half weeks remain before trial. Motorola provides no citations
 19 to support its claim that it “disclosed” its new affirmative defenses in its expert reports, Opp.

20 ⁴ Motorola abandons its Second Counterclaim and its Fourth, Fifth, and Ninth Affirmative Defenses, stating it
 21 “does not intend to pursue” (or “will not present”) them at trial. Opp. 19 n. 10. Summary judgment as to that
 counterclaim and those affirmative defenses is appropriate now, and should be granted.

22 ⁵ None of the cases Motorola cites in support of its attempt to invent new affirmative defenses at the summary
 23 judgment stage address whether such conduct should be permitted where the party failed to supplement an
 24 outstanding interrogatory response that explicitly sought the bases of affirmative defenses. In any event two of
 25 the cases, *Camarillo v. McCarthy*, 998 F.2d 638, 639 (9th Cir. 1993) and *Rivera v. Anaya*, 726 F.2d 564, 566 (9th
 26 Cir. 1984) predate the 1993 amendment to the Rules that broadened sanctioning power for discovery failures like
 Motorola’s. See *Yeti by Molly*, 259 F.3d at 1106. In the third case, *Nat. Ass’n of Realtors v. Champions Real
 Estate Servs., Inc.*, 812 F. Supp. 2d 1251, 1262 (W.D. Wash. 2011), no claim of prejudice was made, and the
 chain of Ninth Circuit cases cited leads back to *Rivera* (one of the pre-amendment cases) with none of the ensuing
 citations addressing Rules 26 or 37.

24—and as Microsoft explained in its Rule 702 motion, the disclosures in those expert reports were no different from the same “Microsoft was required to negotiate” theory the Court has already rejected. (*See* Dkt. No. 724 at 4–6, 9–10.)

The Court should reject Motorola’s position that the factual bases for its new versions of these defenses were recently revealed in discovery, Opp. 23–24. Motorola has long been aware of the facts. Motorola was at the parties’ October 2010 meeting; it knew then that Microsoft supposedly “asked Motorola [to] put its patents ‘on the table,’” “stayed silent,” and made no counteroffer. *See* Opp. 20–23. Motorola has known of the June 2011 Microsoft-FTC statement, and of Microsoft’s allegations in the ITC 744 Investigation against Motorola, for years. *See* Opp. 22. The details of Microsoft’s damages claim were (entirely properly) disclosed during discovery; the Court already observed at the May 7, 2013 hearing that Microsoft disclosed that it sought to recover as damages its costs of defending against Motorola’s suits, and its German relocation costs, by May 2012. Wion Decl. Ex. 4, May 7, 2013 Hearing Tr. 3:7–23, 5:6–6:1.⁶ Of course, Motorola was well aware of the timing of its own German suit and Microsoft’s motion for a preliminary injunction. Opp. 23. And Motorola has known throughout the course of its lawsuits on SEPs in federal district court and the ITC that Microsoft was not exclusively represented by Seattle counsel in those cases, which Motorola mistakenly believes justifies a “failure to mitigate” defense. *See* Opp. 24.

B. Motorola’s Revamped “Defenses” Cannot Survive Summary Judgment.

Motorola’s new “Ripeness” defense—“Microsoft did not respond with any counteroffer nor otherwise participate in any negotiation,” Opp. 20—is indistinguishable from its old one. *See* Br. 21. Paradoxically, Motorola claims this evidence “is not dependent on whether Microsoft ‘first appl[ied] for a license and then negotiate[ed] in good faith.’” Opp. 21. A

⁶ Motorola’s claim that “Microsoft did not disclose that damages theory until April 3, 2013,” Opp. 24, is inconsistent with the Court’s ruling at the May 7, 2013 hearing, and with its counsel’s concession that the issue was the timing of the disclosure of the specific *computation*, not the theory itself. Wion Decl. Ex. 4. at 7:24–8:4.

1 counteroffer is a request for a license, and negotiation is negotiation—and the Court has
 2 already ruled that neither is required. Motorola does not explain how Microsoft’s analysis of a
 3 RAND royalty for Motorola’s SEPs has any bearing on ripeness, nor does it provide any
 4 authority for the suggestion that Microsoft’s conduct at an in-person meeting in October 2010
 5 is relevant to Article III standing, *see* Opp. 20—and Microsoft has no ability now to probe
 6 those theories in discovery. Motorola’s argument that the claims in Microsoft’s amended
 7 complaint were not ripe simply repeats its belief that it “is not precluded from seeking
 8 injunctive relief,” Opp. 20–21, an attack on the merits of Microsoft’s claim that has nothing to
 9 do with ripeness. In any event, ripeness is a question of the Court’s subject-matter jurisdiction,
 10 not an affirmative defense to be tried to the jury, especially where the question of jurisdiction
 11 is not dependent on the decision on the merits. *See Patterson v. Astrue*, No. 3:11–cv–06052–
 12 KLS, 2012 WL 1252653, at *1 (W.D. Wash. April 12, 2012) (“[B]ecause the issue of ripeness
 13 has nothing to do with the merits of [a claim], ... a district court errs if it submits the issue to
 14 the jury”) (quotation marks omitted).

15 Motorola’s new theories of “Unclean Hands” are also without merit. First, Motorola
 16 describes something it calls “reverse hold up,” citing an ITC decision made public earlier this
 17 month. Opp. 21. Its premise is identical to Motorola’s failed attacks on this action: Courts
 18 should decline to resolve RAND licensing disputes, and SEP holders should be free to short-
 19 circuit RAND royalty determinations by obtaining injunctions. *Id.* The concept also involves
 20 a “refus[al] to pay for the use of a patented invention,” Opp. 21, and it cannot possibly apply to
 21 this case. Microsoft no longer has any opportunity to develop expert discovery to rebut
 22 Motorola’s attempt to make this a “reverse hold up” case. Second, Motorola attempts to inject
 23 into this case Microsoft’s assertion of patents against Motorola that were *not* subject to RAND
 24 licensing commitments to SSOs. Opp. 22. Microsoft has already explained why this
 25 allegation is meritless as to the “computer file system patents” Motorola points to. (*See* Dkt.
 26

No. 740 at 6–7.) As for ActiveSync patents, Motorola never raised any defense in the ITC claiming that Microsoft’s patents were subject to a contractually-enforceable RAND licensing commitment like those at issue here, because any such claim would be baseless.⁷ Motorola’s baseless assertions of breach of contracts not before the Court have no connection to this case and cannot form the basis of an unclean hands defense. Moreover, Microsoft no longer has any opportunity to pursue fact and expert discovery to address Motorola’s new theories. Finally, unclean hands is a defense *to a claim for equitable relief*, *see Adler v. Federal Republic of Nigeria*, 219 F.3d 869, 977 (9th Cir. 2000), and there is no basis for the issue to go to the jury in the upcoming trial. The jury will consider damages; the Court can take up Microsoft’s entitlement to equitable relief after the trial.

Motorola sets out three theories of its allegedly new “Failure to Mitigate” defense, none of which have merit. *See* Opp. 23. First, Microsoft should have “engaged in negotiations” instead of filing this suit. That is the same as its original argument, and has already been rejected. Br. 22. Second, Microsoft should have hired different counsel, a baseless argument addressed in Microsoft’s Rule 702 motion. (*See* Dkt. No. 724 at 17–24.) Third, Microsoft should have followed the Orange Book, another meritless suggestion addressed in the same brief (*see id.* at 12–17), and premised on more “negotiation” under threat of an injunction.

DATED this 17th day of July, 2013.

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⁷ The evidence Motorola points to, *see* Opp. 22, consists of exhibits to its motion to exclude Todd Menenberg’s testimony (Dkt. No. 723). To the extent Motorola intended to cite exhibits submitted in support of its present opposition, they do not support its claims either—Microsoft’s Horacio Gutierrez explained that the ActiveSync patents were not subject to an SEP RAND licensing commitment. (Dkt. No. 757 Ex. B at 31:9–32:11; *see* Dkt. 269 at 4.)

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CERTIFICATE OF SERVICE

I, Florine Fujita, swear under penalty of perjury under the laws of the State of Washington to the following:

1. I am over the age of 21 and not a party to this action.
2. On the 17th day of July, 2013, I caused the preceding document to be served on counsel of record in the following manner:

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